



Association for Postal Commerce

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April 13, 2012

Office of the Secretary
U.S. Postal Regulatory Commission
901 New York Avenue, Suite 200
Washington, DC 20268-0001

Re: Docket No. R2012-7
Concerning Market Dominant
Classification and Price Changes
For Picture Permit Imprint Indicia

Before the Postal Service's notice on this matter was ever filed at the Commission, our association was asked whether or not it thought the idea of picture permit imprint indicia was attractive to business mailers. We said it was, and we encouraged the Postal Service to move forward with the proposal. Of course, the question that was put to us was whether the idea of permitting pictures with indicia was a good one. No information was shared with us, however, on how or whether the Postal Service intended to fashion this proposal as a way of generating new revenue. Our comments, then, should be viewed within this framework, as we now offer some additional thoughts on the proposal.

1. The idea to permit picture permit imprint indicia is a good one. It promises to be a useful mechanism to mailers as well as a new way to emphasize the value of communicating by mail.
2. The Postal Service's proposal to impose a one-cent surcharge for using such a device on First-Class Mail and a two-cents surcharge for using it with Standard Mail is not only curious but also potentially problematic.
- 3.. The Postal Service has affirmed that nine percent of the First-Class Mail users with whom they talked responded "that they would be willing to pay a small premium" to use picture permit imprints, and that 12% of those who were Standard Mail users signified the same.
 - a. With whom did the Postal Service discussing this willingness to pay a premium? No such question was ever posed to PostCom, and to the best of our knowledge, no such question was ever posed to our members.
 - b. If nine percent of First-Class Mailers and 12% of Standard Mailers signified a willingness to pay a "small" premium, shouldn't this be interpreted as meaning that 91% of those who use First-Class Mail and 88% of those who use Standard Mail would *not* be willing to pay any premium at all?
 - c. If this is correct, shouldn't this "fact" have raised questions within the Postal Service as to the appropriateness of or the likely success or failure that might be involved in proposing this service in this manner?
 - d. What data has the Postal Service presented to the Postal Regulatory Commission to demonstrate that the decision to assess premiums of this magnitude in this manner are justified by any substantive pricing related research?

- e. If no such evidence was offered to the Commission, how can the PRC make an informed judgement as to whether the idea has been well conceived or ill conceived on the Postal Service's part? For what reason, then would the Postal Service be consulting with the PRC on this matter at all?
- 4. The Postal Service has affirmed that any mailer wishing to participate in this program would have to commit to full-service IMb participation. This leads to the following questions.
 - a. Hasn't the Postal Regulatory Commission been critical of the Postal Service's insufficient success thus far in enrolling mailers as full-service IMb participants?
 - b. Would the imposition of a premium serve as an incentive or disincentive to mailers not already participating in full-service IMb?
 - c. What does the Postal Service value more, the opportunity to squeeze a penny or two from business mailers or getting mailers to move and embrace enthusiastically full-service IMb participation?
 - d. Wouldn't it have made more sense to use this value-add idea as an enticement to gain fuller mailer participation in the IMb program?
- 5. The Postal Service has proposed a two-cents premium for the use of picture permit indicia on Standard Mail. Is the Commission aware that in the minds of mailers this will be equated to mean a \$20 increase in postage per thousand pieces of mail? Or that anyone's back of the envelope calculation will equate a two-cents surcharge as taking away the benefits gained from an entire level of mailer worksharing in mail preparation and sortation?
- 6. Finally, the program has never been shared with mailers via a Federal Register notice. This is nothing a mailer can look to for guidance on how participation in this program is to be administered or governed. This makes it a little tough, then, to provide definitive input on an what is an illusory proposal.

We want the proposal of using picture permit imprint indicia to succeed. We, unfortunately, have seen previous instances in which good postal ideas have been transmogrified by those proposing them into the equivalent of self-inflicted wounds. The program known as repositional notes springs to mind.

While we are not asking the Commission to make the concerns we've raised the primary basis for determining the adequacy of the USPS' proposal, we would ask the Commission to remember this. If this program goes forward as proposed with pricing we expect the program to fail. A failure to us would be a diminished market response to an idea that should engender excitement. If (let alone, when) the program fails, we expect the Commission to remember that the idea itself was laudable, while the manner in which it was implemented may ultimately prove to be lamentable.

We appreciate your consideration of our views. We are more than willing to answer any questions you may have in this regard.

Sincerely,

A handwritten signature in black ink, appearing to read "Gene Del Polito". The signature is stylized with large, flowing loops and a prominent "G" at the beginning.

Gene Del Polito
President